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I. RBI makes NEFT System Available 24x7

The Reserve Bank of India on December 06, 2019 made the National Electronic Fund Transfer (NEFT) facility available on a 24x7 basis from December 16, 2019. The first settlement took place after 00:30 hours on December 16, 2019. The system is available on all days of the year, including holidays. There are 48 half-hourly batches every day. NEFT transactions after usual banking hours of banks, are automated transactions initiated using 'Straight Through Processing (STP)' modes by the banks. The existing discipline for crediting beneficiary's account or returning the transaction (within two hours of settlement of the respective batch) to originating bank is being continued. All provisions of NEFT procedural guidelines are applicable for NEFT 24x7 transactions. To read more, please click [here](#).

Waiver of Charges – NEFT System

The Reserve Bank of India on December 16, 2019 waived off charges on the National Electronic Funds Transfer (NEFT) System with a view to give further impetus to digital retail payments. Accordingly, member banks need not levy any charges from their savings bank account holders for funds transfers done through NEFT system which are initiated online with effect from January 01, 2020. To read more, please click [here](#).

Liquidity Support Facility – NEFT 24X7

The Reserve Bank of India on December 13, 2019 decided to provide Liquidity Support (LS), that is, an additional collateralised Intra-Day Liquidity Facility (IDLF) to facilitate smooth settlement of NEFT transactions in the accounts of the member banks with the Reserve Bank in the backdrop of the 24x7 environment. The LS facility is available for facilitating NEFT settlements, on 24x7 basis. It is operated as per the same terms and conditions as the IDLF. All member banks eligible for the IDLF, are eligible to avail of the LS facility. The limit for LS facility would be set by the Reserve Bank from time to time. Drawings under the LS facility are reckoned as part of the eligible IDL limit and the margin requirement on LS facility would be similar to that of IDL facility. The extant instructions on intra-day-liquidity and reversal of IDL are applicable, as hitherto. The Reserve Bank may review the facilities based on the experience gained in operationalising the scheme.

Additional Fixed-rate and MSF Window

As an interim measure, the Reserve Bank of India on December 13, 2019 decided to provide an additional fixed-rate Reverse Repo and Marginal Standing Facility (MSF) window on all days to give eligible market participants more flexibility and facilitate their liquidity management in the backdrop of the 24x7 NEFT environment. The additional fixed-rate Reverse Repo and MSF window on all days are as indicated in the table below:

Type of Operation	Window Timings
Fixed-rate Reverse Repo	23:00 hrs to 23:59 hrs
MSF	23:00 hrs to 23:59 hrs

The reversal of these operations take place along with other LAF operations. To read more, please click [here](#).

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Note from the Editor

Welcome to yet another edition of the Monetary and Credit Information Review (MCIR). This monthly periodical of the RBI helps keep abreast with new developments and important policy initiatives taken by the RBI during the month of December in the world of money and credit. MCIR can be accessed at <https://mcir.rbi.org.in> as well as by scanning the QR code.

Through this communication tool, we aim to share information, educate, and stay in touch while ensuring factual accuracy and consistency in disseminating the information.

We welcome your feedback at mcir@rbi.org.in

Yogesh Dayal
Editor

II. Monetary Policy

Fifth Bi-monthly Monetary Policy Announcement, 2019-20

Shri Shaktikanta Das, Governor announced the fifth bi-monthly monetary policy for FY 2019-20 on December 05, 2019 in Mumbai.

The Monetary Policy Committee decided to keep the policy repo rate at 5.15 per cent. Consequently, the reverse repo rate under the LAF remains unchanged at 4.90 per cent, and the Marginal Standing Facility (MSF) rate and the Bank Rate at 5.40 per cent.

All members of the MPC – Dr. Chetan Ghate, Dr. Pami Dua, Dr. Ravindra H. Dholakia, Dr. Michael Debabrata Patra, Shri Bibhu Prasad Kanungo and Shri Shaktikanta Das – voted in favour of the decision.

The minutes of the MPC's meeting were published on RBI's website on December 19, 2019. They can be accessed by clicking [here](#).

The next meeting of the MPC is scheduled during February 04-06, 2020.

III. Regulation

'On-tap' Licensing of Private Sector Small Finance Banks

The Reserve Bank of India on December 05, 2019 released guidelines for 'on-tap' licensing of Small Finance Banks (SFBs) in the private sector. Major changes from the earlier guidelines, are:

- i) The licensing window will be open on-tap;
- ii) Minimum paid-up voting equity capital / net worth requirement shall be ₹ 200 crore;
- iii) For Primary (Urban) Co-operative Banks (UCBs), desirous of voluntarily transiting into Small Finance Banks (SFBs) initial requirement of net worth shall be at ₹100 crore, which will have to be increased to ₹200 crore within five years from the date of commencement of business. Incidentally, the net-worth of all SFBs currently in operation is in excess of ₹ 200 crore;
- iv) SFBs will be given scheduled bank status immediately upon commencement of operations;
- v) SFBs will have general permission to open banking outlets from the date of commencement of operations;
- vi) Payments Banks can apply for conversion into SFB after five years of operations, if they are otherwise eligible as per these guidelines. The Reserve Bank had last issued guidelines for licensing of Small Finance Banks in the private sector on November 27, 2014. To read more, please click [here](#).

Master Directions on NBFC – Peer to Peer Lending

The Reserve Bank of India on December 23, 2019 reviewed the Non-Banking Financial Company – Peer to Peer Lending Platform (P2P) (Reserve Bank) master Directions, 2017. The changes are:

- i) The Reserve Bank decided to cap the aggregate exposure of a lender to all borrowers at any point of time, across all Peer-to-peer (P2P) platforms at ₹50,00,000 provided that such investments on P2P platforms are consistent with their net-worth.
- ii) Escrow accounts to be operated by bank promoted trustee for transfer of funds need not be mandatorily maintained with the bank which has promoted the trustee.

The updated Master Directions can be accessed by clicking [here](#).

RBI Directions for IBUs amended

The Reserve Bank of India on December 23, 2019 modified the RBI directions relating to IFSC Banking Units (IBUs). As per the modified directions:

- i) The RBI will not prescribe any limit for raising short-term liabilities from banks for IBUs. However, they must maintain Liquidity Coverage Ratio (LCR) as applicable to Indian banks on a stand-alone basis and strictly follow the liquidity risk management guidelines issued by the RBI to banks.
- ii) IBUs are not allowed to open savings accounts. They can open foreign currency current accounts of units operating in IFSC and of non-resident institutional investors to facilitate their investment transactions. They can also open foreign currency accounts including escrow accounts for their corporate borrowers subject to certain provisions.
- iii) IBUs cannot raise liabilities from retail customers including High Net Individuals (HNIs). Also, no cheque facility will be available for holders of current accounts in the IBUs. All transactions through these accounts must be undertaken via bank transfers.
- iv) The IBUs can accept fixed deposits in foreign currency of tenor less than one year from non-bank entities and can also repay fixed deposits prematurely without any time restrictions.
- v) The IBUs will be required to scrupulously follow KYC, Combating of Financing of Terrorism and other anti-money laundering instructions issued by RBI from time to time. To read the updated copy of the modified directions, please click [here](#).

Large Exposures to CRILC – UCBs

The Reserve Bank of India on December 27, 2019 advised Primary (Urban) Co-operative Banks (UCBs) having total assets of ₹500 crore and above as on

March 31 of the previous financial year to report credit information, including classification of an account as Special Mention Account (SMA) to the Central Repository of Information on Large Credits (CRILC).

The SMA data should be reported on all borrowers having aggregate exposures of ₹5 crore and above with the concerned UCB. The UCBs have been mandated to submit quarterly reports to the CRIL-C maintained by the RBI with effect from December 31, 2019.

UCBs should take utmost care about data accuracy and integrity while submitting the information/data on large credit to the RBI, failing which penal action as per the provisions of the Banking Regulation Act, 1949 may be taken. To read more, please click [here](#).

Large Exposures and Revision in PSL Targets for Primary UCBs

The Reserve Bank of India on December 30, 2019 released draft circular on limits on exposure to single and group borrowers/parties, large exposures and revision in Priority Sector Lending (PSL) targets for Primary UCBs for feedback/suggestions. The circular stipulates that the prudential exposure limits for UCBs for a single borrower/party and a group of connected borrowers/parties shall be 10 per cent and 25 per cent, respectively, of their Tier I capital and that at least 50 per cent of their loan portfolio shall comprise loans not more than ₹25 lakh per borrower/party. It further stipulates that the target for loans and advances to priority sector for UCBs shall stand increased to 75 per cent of adjusted net bank credit or credit equivalent amount of off-balance sheet exposure, whichever is higher, by March 31, 2023. An appropriate glide path is proposed to be provided to UCBs for compliance with the aforesaid norms/limits/targets. The measures are aimed at reducing credit concentration risk of the UCBs and promote financial inclusion. Comments on the draft circular may be forwarded to the Reserve Bank by January 20, 2020. To read more, please click [here](#).

Guidelines for NBFCs on Securitisation Transactions

The Reserve Bank of India on December 31, 2019 extended the relaxation provided to Non-Banking Financial Companies (NBFCs) on securitisation transactions till June 30, 2020. Earlier, the dispensation was extended upto December 31, 2019. To read more, please click [here](#).

Board of Management in Primary UCBs

The Reserve Bank of India on December 31, 2019 implemented the suggestion of putting in place a Board of Management (BoM) in addition to the Board of Directors (BoD) in Urban Cooperative Banks (UCBs).

The Expert Committee on Licensing of New Urban Co-operative Banks (UCBs), 2011 chaired by Shri Y.H. Malegam had suggested the constitution of BoM in UCBs. The guidelines provide that the BoD of UCBs with deposit size of ₹100 crore and above, other than Salary Earners' Banks, shall constitute the BoM. It shall be mandatory for such banks to constitute a BoM for seeking approval to expand their area of operation and/or open new branches.

These UCBs will also require prior approval of RBI for appointment of their CEOs. To read more, please click [here](#).

IV. Supervision

Cyber Security Control for Third Party ATM Switch ASPs

The Reserve Bank of India on December 31, 2019 advised RBI Regulated Entities (RREs) to ensure that the contract agreement signed between them and the third-party ATM Switch Authorised Service Provider (ASP) shall necessarily mandate the third party ATM Switch ASP to comply with the cyber security controls prescribed by the Reserve Bank on an ongoing basis. They have also been mandated to provide access to the RBI for on-site/off-site supervision. The prescribed cyber security controls can be accessed by clicking [here](#).

Comprehensive Cyber Security Framework for Primary UCBs

The Reserve Bank of India on December 31, 2019 formulated a comprehensive Cyber Security Framework for UCBs.

As per the framework, the UCBs have been categorised into four levels based on their digital depth and interconnectedness to the payment systems landscape. UCBs shall undertake a self-assessment of the level in which they fit into, based on the criteria and report the same to their respective RBI Regional Office, within 45 days from December 31, 2019.

The Board shall play a proactive role in ensuring an effective Information Technology and Information Security governance. To read more, please click [here](#).

V. Payment & Settlement Systems

National Electronic Toll Collection System

The Reserve Bank of India on December 30, 2019 permitted all authorised payment systems and instruments [non-bank PPIs, cards and Unified Payments Interface (UPI)] to link with the FASTags, which can be used for various types of payments. The decision was taken with the objective to further broad base the National Electronic Toll Collection (NETC) system by allowing more payment choices for customers and foster competition among system participants. The transactions in the NETC system can be performed without any Additional Factor of Authentication (AFA) and/or pre-transaction notification/alert. To read more, please click [here](#).

New Semi-Closed PPI Introduced

The Reserve Bank of India on December 24, 2019 introduced a new type of semi-closed Prepaid Payment Instrument (PPI) with the objective to give impetus to small value digital payments and enhanced user experience. To read more, please click [here](#).

VI. Banker to Government

Operational Risk Management in E-Kuber

The Reserve Bank of India on December 12, 2019 developed a "Price/Yield range setting" facility on its Core Banking Solution (CBS) platform – e-Kuber to avoid instances of Fat Finger, Big Figure errors on the part of market participants in G-Sec auctions. This allows participants to define a maximum and minimum value for bids they intend to submit (range) which can be set before the auction and can also be modified during the auction. To read more, please click [here](#).

RBI Working Papers

The Reserve Bank of India released two research papers under the working paper series on its website. A paper on "Robust Wald-Type Test Statistics Based on C-Divergence" is authored by Avijit Maji and Leandro Pardo. Another paper on "Term Premium Spill-over from the US to Indian Markets" is authored by Archana Dilip. The research papers can be read by clicking [here](#).

VII. Reports Released

Financial Stability Report

The Reserve Bank of India on December 27, 2019 released the twentieth issue of its half-yearly publication, 'Financial Stability Report (FSR)'. The publication reflects the collective assessment of the sub-committee of the Financial Stability and Development Council on risks to financial stability, as also the resilience of the financial system. To read the full report, please click [here](#).

Primary UCBs Outlook 2018-19

The Reserve Bank on December 24, 2019 released the 6th volume of the annual publication titled 'Primary (Urban) Co-operative Banks' Outlook 2018-19'. The publication covers the financial accounts of Scheduled and Non-Scheduled Primary (Urban) Co-operative Banks for the financial year 2018-19. To read the full report, please click [here](#).

Report on Trend and Progress of Banking in India 2018-19

The Reserve Bank of India on December 24, 2019 released the Report on the Trend and Progress of Banking in India 2018-19, a statutory publication in compliance with Section 36 (2) of the Banking Regulation Act, 1949. This report presents the performance of the banking sector, including co-operative banks, and non-banking financial institutions during 2018-19 and 2019-20 so far. The full report can be accessed by clicking [here](#).

VIII. RBI Data Releases

The Reserve Bank of India released the enlisted data in the month of December 2019:

	Data Release	Date
i)	Report on Management of Foreign Exchange Reserves	20/12/2019
ii)	Statistical Tables Relating to Banks in India: 2018-19	24/12/2019
iii)	India's International Investment Position (IIP), Sep-2019	31/12/2019
iv)	Developments in India's Balance of Payments	31/12/2019
v)	Sources of Variation in Foreign Exchange Reserves	31/12/2019